

OFFICE OF REGULATION



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The Office of Regulation has responsibility for the chartering and supervising of Michigan's state-chartered depository financial institutions. This responsibility is performed by the Bank and Trust Division and the Credit Union Division and includes the regulation of the 1969 Public Act No. 319 (the Michigan Banking Code of 1969), as amended, and the 1925 Public Act No. 285 (Credit Union Act), as amended.

With the retirement of Murray Brown, Deputy Commissioner of the Office of Policy and Consumer Affairs, the responsibility for the licensing and supervision of over 4,700 nondepository financial service providers, which includes the regulation of 7 consumer finance laws, was transferred to the Office of Regulation. This responsibility is performed by the Licensing and Enforcement Division and the Examination Division.

CONSUMER FINANCIAL SERVICES ACT

The Consumer Financial Services Act, 1998 Public Act No. 161 as amended, provides for the licensing and regulation of institutions which provide a variety of financial services, and eliminates the need to acquire a separate license for each activity. A "Class II" license authorizes activities under the Regulatory Loan Act, the Motor Vehicle Sales Finance Act, the Secondary Mortgage Act, and the Credit Card Act. A "Class I" license authorizes activities under the Sale of Checks Act and the Mortgage Brokers, Lenders, and Servicers Licensing Act in addition to the authorities provided under a "Class II" license.

A "Class I" license under the act requires a bond of \$125,000 plus \$3,000 for each sale of checks agent up to \$250,000, and a minimum net worth of \$100,000. A "Class II" license requires a bond of \$25,000, and a minimum net worth of \$50,000.

CREDIT CARD ACT

The Credit Card Act, 1984 Public Act No. 379, as amended, authorizes the licensing and regulation of nondepository issuers of credit cards. A minimum net worth of \$1,000,000 is required by the act. The Commissioner may establish a higher net worth requirement if it is necessary to assure a safe and sound operation. There are no bonding requirements.

MORTGAGE BROKERS, LENDERS, AND SERVICERS LICENSING ACT

The Mortgage Brokers, Lenders, and Servicers Licensing Act, 1987 Public Act No. 173, as amended, provides for licensing, registration, and regulation of mortgage brokers, mortgage lenders, and mortgage servicers. The act pertains to loans secured by first mortgages or land contracts covering real property located in the State of Michigan, which is used, or improved to be used, as a dwelling and designed for occupancy by 4 or fewer families. Licensees are typically required to have a minimum net worth ranging from \$25,000 to \$100,000 and must generally post a bond, letter of credit, or certificate of deposit in amounts ranging from \$25,000 to \$125,000, depending on the type of services being offered.

MOTOR VEHICLE SALES FINANCE ACT

The Motor Vehicle Sales Finance Act, 1950 Public Act No. 27 as amended, regulates certain installment sales of motor vehicles. It provides for licensing and regulation of both the installment sellers, which are motor vehicle dealers originating installment sales contracts, and sales finance companies, the financial institutions that purchase these contracts from the dealers. The act requires bonding of sales finance companies ranging from \$5,000 to \$20,000 for main offices, plus \$10,000 for each branch office. Installment sellers do not have a bonding requirement. The act imposes no net worth requirements on installment sellers or sales finance companies.

REGULATORY LOAN ACT

The Regulatory Loan Act, 1963 Public Act No. 103, as amended (successor to 1921 Public Act No. 317), authorizes the licensing and regulation of entities

which make loans to consumers. The act prohibits the use of real estate as security for these loans. The act has no bonding requirement; however, licensees are required to maintain \$50,000 in liquid assets.

SALE OF CHECKS ACT

The Sale of Checks Act, 1960 Public Act No. 136, as amended, authorizes the licensing and regulation of the business of selling and issuing travelers checks, drafts, and money orders as a service or for a fee. The act also regulates telegraph companies that transfer funds by wire. The act requires a \$100,000 minimum net worth and a minimum bond of \$100,000 plus \$3,000 for each agent up to a maximum of \$250,000.

SECONDARY MORTGAGE ACT

The Secondary Mortgage Act, 1981 Public Act No. 125, as amended, authorizes the licensing and regulation of entities which make secondary mortgage loans of \$3,000 or more for personal, family, or household purposes. The act also allows for unsecured loans of \$3,000 or more. Licensees are required to post a bond in an amount required by the Commissioner, pursuant to Section 9 of the act.

FREEDOM OF INFORMATION

The Office of Regulation has the responsibility for responding to requests made to the Bureau for copies of public records under the Michigan Freedom of Information Act, 1976 Public Acts No. 422, as amended. During 1997, the Office of Regulation responded to 157 requests for copies of public documents.

ADMINISTRATIVE HEARING ACTIVITIES

The Office of Regulation provides hearing officer services for conducting the Bureau's administrative hearings and related matters pursuant to the Administrative Procedures Act, 1969 Public Act No. 306, as amended, and relevant regulatory statutes. In 1997, 6 new requests for hearings were received by the Bureau. Of those six requests, two cases were resolved by Stipulation and Consent Order, three were carried over into 1998, and one was dismissed.

In addition, the hearing officer handled three cases carried over from prior years. One was resolved by a Stipulation and Consent Order. In another, a hearing was concluded and a decision issued. In the third, the case was carried over to 1998 by Stipulation and Consent Order.